

SAND LAKE ASSOCIATION, INC.

Proposed Amendment to By-Laws

Drafted May 2026

The following Article VIII is proposed to be added to the By-Laws of Sand Lake Association, Inc., a Wisconsin nonstock corporation organized under Chapter 181 of the Wisconsin Statutes. This article is intended to work in conjunction with the Association's Directors and Officers (D&O) liability insurance policy and the immunity protections available under Wis. Stat. § 181.0855.

ARTICLE VIII – DIRECTOR AND OFFICER LIABILITY; INDEMNIFICATION; INSURANCE

Section 1 – Standard of Conduct

Officers and directors of the Association shall discharge their duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the officer or director reasonably believes to be in the best interests of the Association. Compliance with this standard, as evidenced by reasonable deliberation and honest judgment, shall be the baseline for evaluating officer and director conduct.

Section 2 – Limitation of Personal Liability

To the fullest extent permitted by Wisconsin law, no officer or director of the Association shall be personally liable to the Association or its members for monetary damages arising from any act or omission in the officer's or director's capacity as such, provided that the act or omission does not constitute:

- (a) A willful or intentional misconduct or a knowing violation of the law;
- (b) A transaction from which the officer or director derives an improper personal benefit, directly or indirectly;
- (c) A violation of Wis. Stat. § 181.0833 (distributions to members or officers);
- (d) Reckless conduct or actions outside the scope of the officer's or director's authority.

This limitation of liability is consistent with and supplements the immunity provided under Wis. Stat. § 181.0855 for officers and directors of nonprofit corporations.

Section 3 – Indemnification

(a) Mandatory Indemnification. The Association shall indemnify any officer or director who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed civil, criminal, administrative, or investigative proceeding because the person is or was an officer or director of the Association, against reasonable expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred, to the fullest extent permitted by Wis. Stat. § 181.0851 et seq., provided that the officer or director acted in

good faith and in a manner the officer or director reasonably believed to be in, or not opposed to, the best interests of the Association.

(b) Discretionary Indemnification. The Board may, by resolution, authorize indemnification of volunteers, committee members, and other agents of the Association on terms consistent with this Article and applicable law.

(c) Advancement of Expenses. The Association may, upon authorization by the Board, pay or reimburse the reasonable expenses incurred by an officer or director who is a party to a proceeding in advance of the final disposition of the proceeding, provided the officer or director furnishes to the Association a written undertaking to repay such amounts if it shall ultimately be determined that indemnification is not required.

(d) Limitation. The Association shall not indemnify any officer or director for conduct constituting willful misconduct, intentional wrongdoing, or any act for which indemnification is expressly prohibited under Wisconsin law.

Section 4 – Directors and Officers Liability Insurance

The Association shall maintain, to the extent practicable and within the financial means of the Association, a policy of Directors and Officers (D&O) liability insurance. Such policy shall provide coverage for officers and directors against claims arising from their service to the Association, subject to the terms, conditions, and exclusions of the policy as approved by the Board.

The Board shall review the D&O policy at least annually and shall obtain coverage in an amount and on terms it deems reasonable and appropriate given the activities and risk profile of the Association. The existence of D&O insurance shall not expand the liability of any officer or director beyond the limitations set forth in these By-Laws or applicable law.

Section 5 – Reliance on Information

In discharging duties, an officer or director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:

(a) one or more officers or employees of the Association whom the officer or director reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, a public accountant, or another person as to matters the officer or director reasonably believes are within the person's professional or expert competence; or (c) a committee of the Board of which the officer or director is not a member, if the officer or director reasonably believes the committee merits confidence. This reliance does not apply if the officer or director has knowledge that makes reliance unwarranted.

Section 6 – Conflicts of Interest

Any officer or director who has a financial or personal interest in a matter before the Board shall disclose that interest prior to Board deliberation, shall not participate in the discussion or vote on the matter, and shall not attempt to influence the decision. The Board may adopt a separate Conflict of Interest Policy to implement this section, and compliance with such policy shall be considered relevant evidence that an officer or director acted in good faith for purposes of this Article.

Section 7 – Non-Exclusivity

The rights of indemnification and advancement of expenses provided in this Article shall not be exclusive of any other rights to which any officer or director may be entitled under any agreement, vote of members, the Wisconsin Statutes, or otherwise. Nothing in this Article shall limit or modify any immunity available under Wis. Stat. § 181.0855 or any successor provision.

Section 8 – Severability

If any provision of this Article or its application to any person or circumstance is held invalid or unenforceable, the remainder of this Article and the application of its provisions to other persons or circumstances shall not be affected.

Drafting Notes for Board Review

- Wisconsin Statute § 181.0855 already provides baseline immunity for nonprofit directors acting in good faith; this Article reinforces and supplements that protection.
- Section 3 indemnification language tracks Wis. Stat. §§ 181.0851–0853. The Board should confirm with legal counsel whether any mandatory vs. permissive distinctions require adjustment.
- Section 4 does not commit the Association to a specific coverage amount, preserving Board flexibility as premiums and risk profile change.
- Section 6 (conflicts of interest) pairs well with a standalone Conflict of Interest Policy, which the IRS Form 990 also recommends for 501(c)(3) organizations.
- This Article requires a two-thirds member vote to adopt per Article III, Section 2 of the current By-Laws.
- Consider having legal counsel review before adoption, particularly if indemnification could create financial obligations.

Approved by the Board of Sand Lake Association, Inc.:

President: _____ Date: _____

Secretary: _____ Date: _____